



FOR IMMEDIATE RELEASE

Date: 11 November 2019

To:	Attention:	Fax no.:
Securities Commission Malaysia	Pn Zulaiha Subohi	03- 6201 5158
Bursa Malaysia Securities Berhad	Mr Khoo Kay Kwan	03- 2026 0197
Berita Harian	En Mutazar Ghani	03- 2056 7081
Utusan Malaysia	En Johardy Ibrahim	03- 9223 0957
Bernama	En Mikhail Raj	03- 2694 9636
Business Times (New Straits Times)	En Zuraimi Abdullah	03- 2056 7149
The Star	Mr Shanmugam	03- 7955 4039 / 6949
The Edge Financial Daily	Ms Kang Siew Li	03- 7721 8038
The Malaysian Reserve	En Zul Othman	03- 6211 1852
Nanyang Siang Pau	Mr Ha Kok Mun	03- 7872 6993
Sin Chew Jit Poh (Malaysia)	Ms Low Sow Wan	03- 7955 8379 / 6881
The Sun	Ms Presenna Nambiar	03- 7785 2624 / 2625

CYCLE & CARRIAGE BINTANG BERHAD ("CCB" OR "COMPANY")

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF CCB PURSUANT TO SECTION 116 OF THE COMPANIES ACT ("PROPOSED SCR")

We refer to the above and wish to inform that CCB's major shareholder, Jardine Cycle & Carriage Limited, has today formally requested the Company to undertake the Proposed SCR. A copy of the letter in relation to the Proposed SCR is attached herewith for your information in accordance with the Rules on Take-overs, Mergers and Compulsory Acquisitions.

Should you have any queries, please contact any of the following persons.

<u>Officers-in-charge</u>	<u>Telephone numbers</u>	<u>Email</u>
Gan Hooi Teng	03-2261 0328	hooiteng.gan@cimb.com
Deena Elin Binti Che Khalib	03-2261 0318	deena.khalib@cimb.com
Julius Cheong Beng Tat	03-2261 9178	julius.cheong@cimb.com

Thank you.

Yours faithfully,
for and on behalf of
CIMB Investment Bank Berhad

for

Lee Chuk Hoe
Managing Director
Corporate Finance
Investment Banking Malaysia

Deena Elin Che Khalib
Manager
Corporate Finance
Investment Banking Malaysia



Jardine Cycle & Carriage

Jardine Cycle & Carriage Limited

239 Alexandra Road
Singapore 159930

Tel (65) 6473 3122
Fax (65) 6475 7088
www.jcclgroup.com

11 November 2019

To:

**The Board of Directors
CYCLE & CARRIAGE BINTANG BERHAD**
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

CYCLE & CARRIAGE BINTANG BERHAD (“CCB” OR “COMPANY”)

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 (“PROPOSED SCR”)

1. INTRODUCTION

We, Jardine Cycle & Carriage Limited (“**JCCL**” or “**Non-Entitled Shareholder**”), in our capacity as the major shareholder of CCB, are writing to submit a formal proposal to the board of directors of CCB (“**Board**”) to provide an avenue for the shareholders of CCB to realise all their holdings in CCB at one time, by way of a privatisation of CCB through a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act, 2016 (“**Act**”).

We wish to request CCB to undertake the Proposed SCR and upon deliberation by the Board, to present the Proposed SCR to all the shareholders of CCB (other than the Non-Entitled Shareholder) for their consideration and approval. The Proposed SCR will result in a capital repayment to the shareholders of CCB (other than the Non-Entitled Shareholder) whose names appear in the Record of Depositors of CCB as at the close of business on an entitlement date to be determined and announced later by the Board (“**Entitlement Date**”, and such shareholders, the “**Entitled Shareholders**”).

We believe the Proposed SCR represents a good opportunity for the Entitled Shareholders to monetise their holdings at a cash amount of RM2.20 per ordinary share in CCB (“**CCB Share**”), which is at a premium ranging from 44.24% to 75.52% above the prevailing market price of the CCB Shares as set out in Paragraph 2.5 of this letter.

As at 8 November 2019, being the latest practicable date prior to the date of this letter (“**LPD**”), CCB has an issued share capital of RM124,601,500.00 comprising 100,744,500 CCB Shares, of which JCCL holds 59,543,000 CCB Shares, representing approximately 59.10% of the issued share capital of CCB. There are no persons acting in concert with JCCL in relation to the Proposed SCR.

The shareholding of JCCL in CCB as at the LPD is as follows:

<u>Name</u>	Direct		Indirect	
	No. of CCB Shares	(1)%	No. of CCB Shares	(1)%
JCCL	59,543,000	59.10	-	-

Note:

(1) Based on 100,744,500 CCB Shares in issue.

2. DETAILS OF THE PROPOSED SCR

- 2.1** The Proposed SCR involves CCB undertaking a selective capital reduction and a corresponding capital repayment under Section 116 of the Act, in respect of the CCB Shares held by the Entitled Shareholders.
- 2.2** As at the LPD, CCB has an issued share capital of RM124,601,500.00 comprising 100,744,500 CCB Shares, of which the Non-Entitled Shareholder holds 59,543,000 CCB Shares, representing approximately 59.10% of the issued share capital of CCB.
- 2.3** Under the Proposed SCR, the Entitled Shareholders who collectively hold 41,201,500 CCB Shares will receive a total cash payment of RM90,643,300.00, which represents a cash amount of RM2.20 per CCB Share ("**SCR Offer Price**") held by the Entitled Shareholders on the Entitlement Date. For the avoidance of doubt, the Non-Entitled Shareholder will not be entitled to the capital repayment pursuant to the Proposed SCR.
- 2.4** On the Effective Date (as defined in Paragraph 6 below), 41,201,500 CCB Shares held by the Entitled Shareholders will be cancelled and the Non-Entitled Shareholder will hold the remaining 59,543,000 CCB Shares, which are not cancelled pursuant to the Proposed SCR. **Consequently, this would result in the Non-Entitled Shareholder holding 100% equity interest in CCB.**
- 2.5** The SCR Offer Price was arrived at after taking into consideration, amongst others, the following:
- (i) a premium of the SCR Offer Price to the last traded price and volume weighted average market price ("**VWAP**") of the CCB Shares up to and including the LPD (being the last full trading day prior to the date of service of this letter):

	Market price	Premium	
	RM	RM	%
Closing price as at LPD	1.2900	0.9100	70.54
5-day VWAP up to the LPD	1.2534	0.9466	75.52
1-month VWAP up to the LPD	1.2661	0.9339	73.76
3-month VWAP up to the LPD	1.3096	0.8904	67.99
6-month VWAP up to the LPD	1.4222	0.7778	54.69
1-year VWAP up to the LPD	1.5252	0.6748	44.24

(Source: Bloomberg)

(ii) net assets ("NA") per CCB Share and price-to-book ratio ("PBR"):

	<u>NA per Share</u>	<u>PBR⁽¹⁾</u>	<u>PBR based on SCR Offer Price</u>
	(RM)	(times)	(times)
Based on the audited consolidated NA per CCB Share as at 31 December 2018	2.86	0.45	0.77
Based on the unaudited consolidated NA per CCB Share as at 30 September 2019	2.69	0.48	0.82

Note:

(1) Based on CCB's closing share price as at LPD of RM1.29.

(iii) earnings per CCB Share ("EPS") and price-to-earnings ratio ("PER"):

	<u>EPS</u>	<u>PER^{(1) (2)}</u>	<u>PER based on SCR Offer Price</u>
	(sen)	(times)	(times)
Based on the audited consolidated net EPS of CCB for the financial year ended ("FYE") 31 December 2018	22.15	5.82	9.93

Notes:

(1) Based on CCB's closing share price as at LPD of RM1.29.

(2) The PER based on an annualised unaudited consolidated net EPS of CCB for the FYE 31 December 2019 has not been taken into consideration as CCB has recorded a loss after taxation for the 9-month financial period ended 30 September 2019.

2.6 The Proposed SCR will be funded by way of an advance from the Non-Entitled Shareholder. The Non-Entitled Shareholder confirms that the Proposed SCR will not fail by reason of insufficient financial capability of CCB.

2.7 **We do not intend to maintain the listing status of CCB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").** Accordingly, we will request CCB to make an application to Bursa Securities to de-list CCB and withdraw its listing status from the Official List of Bursa Securities upon the completion of the Proposed SCR, being the date on which all the Entitled Shareholders have been paid the SCR Offer Price ("**Completion**").

3. RATIONALE FOR THE PROPOSED SCR

The Proposed SCR provides a good opportunity for the Entitled Shareholders to exit and realise their holdings in CCB, taking into consideration the following:

(i) **Challenging operating and trading environment**

The total industry volume ("TIV")¹ for vehicle sales has declined from 666,487 in 2014 to 598,714 in 2018, representing a compounded annual growth rate of negative 2.65%. The above is despite the one-off goods and services tax holiday that was made available from June to August 2018. The TIV for the 9-month period up to September 2019 was 442,991 units which is 2.63% lower compared to the TIV for the same period last year of 454,971 units. This was mainly backed by the strong growth of the national car segment while the non-national car segment experienced a slowdown of about 18% for the abovementioned periods. We believe that this suggests that the underlying demand in absence of any stimulus will continue to be subdued.

Between 2014 to 2018, the luxury car segment has experienced higher growth than the total industry, driven by Mercedes-Benz and BMW models. Mercedes-Benz sales volume grew at a compound annual growth rate of about 17% between 2014 to 2018, mainly driven by the increase in dealership network in Malaysia. Despite the volume growth, the increase in the number of dealerships has intensified competition for CCB which has impacted both the sales volumes and margins for CCB. For the 9-month period up to September 2019, the sales for Mercedes-Benz models experienced a sharp correction with a decline in sales volume by about 26% with 7,764 units in 2019 compared to 10,461 units in 2018.

Despite a competitive product line-up and the tax holiday in 2018, CCB could not generate satisfactory sales and returns in the recent years. The tax holiday in 2018 brought forward many car buying decisions resulting in the decline in sales in 2019. The above has adversely impacted CCB's financial performance and resulted in CCB incurring a net loss after taxation from continued operations of RM28.2 million² for the financial period ended 30 September 2019.

Considering global and local economic environment uncertainties, high household debt levels, moderation in consumer spending and the continuation of strict lending guidelines for hire purchase loans by financial institutions, we believe the outlook for CCB will continue to remain sluggish and trading conditions are expected to remain challenging with continued pressure on profit margins.

(ii) **Long term commitment by JCCL and additional capital investments expected for CCB**

Jardine Matheson Holdings Limited ("JMHL"), the ultimate holding company of JCCL, enjoys a long-standing relationship with Daimler AG across several countries. JCCL, as a part of JMHL group of companies ("**Jardine Matheson Group**") and as the controlling shareholder of CCB is committed to continue investing in network upgrades and to operate the dealerships to the required standards. The capital investments required to maintain the network at the requisite standards is high with long payback periods, especially in the current challenging market condition.

¹ References to TIV are based on data from the Malaysian Automotive Association.

² Excluding the dividends of RM11.2 million received from CCB's 49% equity interest in Mercedes Benz Malaysia Sdn Bhd. Daimler AG has exercised its call option to acquire CCB's 49% equity interest in Mercedes-Benz Malaysia Sdn Bhd on 30 November 2018 and the disposal is expected to be completed on or around 30 November 2019.

Further, the global automotive industry is facing longer term disruption from trends such as ride sharing, autonomous driving technology, electric vehicles and changes in consumer demand. Domestic uncertainties are further exacerbated due to the new National Automotive Policy 2019 that is yet to be published.

The initiatives to appropriately address these challenges are likely to require additional capital investments in the longer term, without significant upfront benefits for CCB and its shareholders. In this regard, the above factors represent risks and uncertainties which JCCL can better address strategically in the context of CCB as a private company and as part of a larger regional network comprising Jardine Matheson Group's automotive interests in Asia.

(iii) **Opportunity for the Entitled Shareholders to realise their holdings at a premium to the market price of CCB Shares**

The SCR Offer Price is at a premium ranging from 44.24% to 75.52% above the prevailing market price of CCB Shares as set out in Paragraph 2.5 of this letter. It is also pertinent to note that CCB Shares have not traded at or above the SCR Offer Price for the past 12 months. The cash consideration under the Proposed SCR presents the Entitled Shareholders with a clean cash exit opportunity to realise their entire holdings in CCB Shares at a premium over the market price of CCB Shares as at the LPD without incurring brokerage fees.

(iv) **Minimal benefit from listing status**

The listing status of CCB brings minimal benefit to CCB. CCB has not undertaken any fund-raising activity from the capital market over the past 15 years. Further, the Company is also incurring costs to maintain its listing status and comply with the relevant regulatory requirements as a listed company on Bursa Securities. The privatisation of CCB by way of the Proposed SCR would provide greater flexibility to CCB in managing and developing its existing business without the regulatory restrictions and costs associated with being listed on Bursa Securities.

4. DISTRIBUTION

- 4.1** If CCB declares, makes and/or pays any dividend or undertakes a distribution of any other nature whatsoever (collectively, "**Distribution**"), the entitlement date of which is on or after the date of this letter up to Completion, the SCR Offer Price shall be reduced by an amount equivalent to the net Distribution made per CCB Share.

5. COVENANTS

- 5.1** From the date of this letter until Completion, CCB shall agree with and undertake to us that:

- (i) save for the advance to be provided by us to CCB as set out in Paragraph 2.6 of this letter, CCB will not conduct any form of capital raising exercise, whether in the form of debt or equity and will not grant any options over any CCB Shares or issue any CCB Shares;

- (ii) CCB Group will not:
 - (a) enter into any material commitment or material contract; or
 - (b) undertake any obligation or acquire or dispose any of its assets or create a security interest over any of its assets,

outside the ordinary course of business;
- (iii) CCB will not pass any resolution in general meeting (other than in respect of any ordinary business tabled in an annual general meeting and the Proposed SCR) or make any alteration to the provisions of the constitution of CCB or any of CCB's subsidiaries; and
- (iv) CCB will not do or cause, or allow to be done or omitted, any act or thing which would result (or be likely to result) in a breach of any lawful obligation of CCB Group,

without our prior written consent.

5.2 In addition, CCB shall not enter into any discussion or negotiation, or agreement, with any other party with respect to the sale or merger of its or its subsidiaries' business, assets and liabilities or any privatisation proposal involving CCB or any of its subsidiaries at any time until Completion without our prior written consent.

5.3 CCB also undertakes that, as from the date of this letter until Completion, CCB shall, and shall use reasonable endeavours to cause and procure that each of its subsidiaries shall, carry on its business as a going concern in the ordinary and usual course in substantially the same manner as carried on prior to the date of this letter and use its reasonable endeavours to maintain good relations with all parties to the extent that its goodwill and going concern shall not be materially impaired at Completion, save as otherwise agreed in writing by us.

6. CONDITIONS PRECEDENT

The Proposed SCR is subject to and conditional upon the following being obtained:

- (i) the clearance by the Securities Commission Malaysia ("**SC**") in respect of the contents of the circular to the shareholders of CCB and the independent advice letter to be issued to the disinterested shareholders of CCB in relation to the Proposed SCR;
- (ii) the approval of the disinterested shareholders of CCB for the Proposed SCR via a special resolution to be tabled at an extraordinary general meeting ("**EGM**") of CCB to be convened ("**Special Resolution**"). The Special Resolution:
 - (a) is required to be approved by at least a majority in number of the disinterested shareholders and 75% in value to the votes attached to the CCB Shares held by the disinterested shareholders that are cast either in person or by proxy at the EGM; and
 - (b) must not be voted against by more than 10% of the votes attached to CCB Shares held by the disinterested shareholders of the total voting shares of CCB;
- (iii) the grant of an order by the High Court of Malaya confirming the reduction of the issued share capital of CCB pursuant to Section 116 of the Act ("**Order**");

- (iv) the approval and/or consent of the existing financiers and/or creditors of CCB Group, if required; and
- (v) the approval and/or consent of any relevant government or regulatory authorities or third parties, if required.

The Proposed SCR will become effective upon lodgement of the Order with the Registrar of Companies pursuant to Section 116(6) of the Act ("**Effective Date**"). It is contemplated that the payment of the SCR Offer Price to the Entitled Shareholders will be made as soon as practicable following the Effective Date, but in any event no later than 10 days from the Effective Date.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, to the best knowledge of the Non-Entitled Shareholder, there are no other directors of CCB, major shareholders of CCB and/or persons connected with them who has any interest, directly or indirectly, in the Proposed SCR:

- (i) Chan Tze Choong Eric and Rossana Annizah binti Ahmad Rashid are non-independent non-executive directors of CCB. They are deemed interested in the Proposed SCR as they are representatives of JCCL;
- (ii) Chan Kim Kooi is the alternate director to Chan Tze Choong Eric and is deemed interested in the Proposed SCR as he is a representative of JCCL;
- (iii) Kent Teo is the alternate director to Rossana Annizah binti Ahmad Rashid and is deemed interested in the Proposed SCR as he is a representative of JCCL; and
- (iv) The Non-Entitled Shareholder, namely JCCL, is deemed interested in the Proposed SCR.

8. OTHER MATTERS

In view that the Proposed SCR is at our request, we wish to confirm that:

- (i) each of Chan Tze Choong Eric, Rossana Annizah binti Ahmad Rashid, Chan Kim Kooi and Kent Teo (collectively, the "**Interested Directors**") and any persons connected to them, if any, will abstain from all deliberations and voting at the relevant Board meetings pertaining to the Proposed SCR or any other resolution to facilitate the implementation of the Proposed SCR and will also abstain from voting in respect of their direct and/or indirect shareholdings in CCB, if any, on the Special Resolution;
- (ii) the Non-Entitled Shareholder and any persons connected to it will also abstain from voting in respect of their direct and/or indirect shareholdings in CCB, if any, on the Special Resolution; and
- (iii) we will assist and co-operate with CCB and the Board on the provision of such information on the part of the Non-Entitled Shareholder that may be required to enable the preparation of the circular to shareholders of CCB, independent advice letter and application to the High Court of Malaya for the Order.

In addition, we also hereby confirm that as at the LPD:

- (a) we have not received any irrevocable undertaking from any Entitled Shareholders to vote in favour of the Special Resolution;
- (b) there is no existing or proposed agreement, arrangement or understanding in relation to CCB Shares between us and any of the Entitled Shareholders in respect of the Proposed SCR; and
- (c) we have not entered into, or been granted, any option to acquire any CCB Shares.

9. GOVERNING LAW AND DISPUTE RESOLUTION

The Proposed SCR and any agreement constituted by acceptance of this letter shall be governed by the laws of Malaysia and each party will submit to the non-exclusive jurisdiction of the courts of Malaysia.

10. ACCEPTANCE PERIOD

If the Board (other than the Interested Directors) is agreeable to implement and recommend the Proposed SCR to the Entitled Shareholders upon the terms envisaged in this letter, please accept this offer for the Proposed SCR by delivering to us the form of confirmation and acceptance attached herein. Once the offer for the Proposed SCR is accepted by CCB, it will constitute a binding agreement between the parties.

This offer for the Proposed SCR is subject to your written confirmation and acceptance to be received by us on or before 5.00 p.m. on 6 December 2019 (or such other dates as may be extended by us in writing) that you agree to the following:

- (i) CCB will issue and despatch the (a) circular to shareholders in relation to the Proposed SCR and (b) independent advice letter from the independent adviser to be appointed by the Board (other than the Interested Directors) in relation to the Proposed SCR to the disinterested shareholders of CCB, in accordance with the provisions of the Rules on Take-overs, Mergers and Compulsory Acquisitions; and
- (ii) CCB will comply with the covenants set out in Paragraph 5 of this letter and confirm that the covenants as set out in Paragraph 5 of this letter have been complied with since the date of this letter.

If we do not receive your written confirmation and acceptance on or before 5.00 p.m. on 6 December 2019 (or such other dates as may be extended by us in writing), the offer for the Proposed SCR set forth in this letter will lapse.

We trust the above is sufficient for the Board's consideration and look forward to your favourable reply. Pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions, please make the necessary announcement of our request for CCB to undertake the Proposed SCR.

For and on behalf of
JARDINE CYCLE & CARRIAGE LIMITED



Stephen Patrick Gore
Director

FORM OF CONFIRMATION AND ACCEPTANCE

DATE:

TO: JARDINE CYCLE & CARRIAGE LIMITED
239 Alexandra Road
Singapore 159930

We, **Cycle & Carriage Bintang Berhad**, hereby accept the terms of your letter dated 11 November 2019 as set out above ("**Letter**"). We confirm that:

- (i) we will issue and despatch the (a) circular to shareholders in relation to the Proposed SCR and (b) independent advice letter from the independent adviser appointed by the Board (other than the Interested Directors) in relation to the Proposed SCR to the disinterested shareholders of CCB, in accordance with the provisions of the Rules on Take-overs, Mergers and Compulsory Acquisitions; and
- (ii) we have, since the date of the Letter, complied with and will continue to comply with from the date hereof, the covenants as set out in Paragraph 5 of the Letter.

Yours faithfully,
For and on behalf of
CYCLE & CARRIAGE BINTANG BERHAD

Name:
Designation:

Name:
Designation: